

**STATEMENT OF**  
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**U.S. GENERAL SERVICES ADMINISTRATION**  
**BEFORE THE**  
**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,**  
**PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT**  
**COMMITTEE ON**  
**TRANSPORTATION AND INFRASTRUCTURE**  
**U.S. HOUSE OF REPRESENTATIVES**

**MAY 10, 2007**



Good morning, Madam Chair, Ranking Member Graves, and Members of the Subcommittee. My name is David L. Winstead and I am the Commissioner of the Public Buildings Service at the U.S. General Services Administration (GSA). Thank you for inviting me here today to discuss GSA's fiscal year 2008 Capital Investment and Leasing Program.

PBS is one of the largest and most diversified public real estate organizations in the world. Our inventory consists of over 8,600 assets with over 347 million square feet of rentable space across all 50 states, 6 U.S. territories, and the District of Columbia. The majority of our space is concentrated in large commercial markets such as Washington, DC, New York City, Chicago, Atlanta and Los Angeles. Our portfolio of public buildings includes primarily office buildings, courthouses, land ports of entry, and warehouses. It is the PBS mission to provide superior workplaces for federal customer agencies at good economies to the American taxpayer.

In support of our mission, PBS is charged with the responsibility of managing the Federal Buildings Fund (FBF), a revolving fund that was created by Congress in 1972. Today, the FBF funds the space needs of more than 500 Federal agency bureaus, including the Judiciary and Members of Congress, using a market-based approach. Congress appropriates funds to our customer agencies that then pay into the FBF the equivalent of commercial rent for the space they occupy. The FBF then provides GSA with the funds to rent space from the private sector, repair and modernize government-owned facilities, and fund new Federal construction in support of our customers' agency missions.

PBS continues to demonstrate strong operational performance. As of the second quarter of 2007, 82% of our government-owned assets are achieving positive funds from operations; our percentage of vacant space in our owned inventory at

8.8% continues to be below private sector standards. Additionally, our cleaning maintenance and utility costs are 4.9 percent below industry standard.

Before I address our FY08 capital program, I would like to share several accomplishments that address critical organizational leadership and customer challenges we face. First, to strengthen our capital program delivery, I have restructured the Office of the Chief Architect and added an executive level position with responsibility and accountability for construction program delivery. This new Senior Executive complements the work of the existing executive Chief Architect position, which is responsible and accountable for the design of our capital projects. I have every expectation that the executives in these positions will lead us to improved delivery of high performing, sustainable real property assets that meet the customer's functional needs at a price they can afford.

I am also establishing an organization dedicated solely to focus on real estate acquisition. Given the business volume, complexity of this work, and significant stakeholder interest, I have made this one of PBS' highest priorities. This new office, led by a Senior Executive, will primarily focus on improving the real estate leasing program.

Finally, I have committed significant personal effort to strengthening our relationship with two of our primary customers, the Judiciary as well as the Department of Homeland Security, particularly the Customs and Border Protection bureau, which is responsible for land ports of entry. These are our two largest tenants and historically represent a significant portion of our capital program.

I am pleased to be here today to request your authorization of the individual projects that make up our FY 08 capital program. We believe these projects will best meet the needs of our customer agencies and will enhance the Federal real property portfolio.

We have analyzed these projects and determined that they meet several overall portfolio objectives, such as:

- ◆ Optimizing the value of our portfolio of owned assets by assessing the financial performance building by building;
- ◆ Optimizing FBF income by enhancing current asset performance through needed reinvestment and acquiring new assets to meet emerging long-term Federal requirements;
- ◆ Directing capital resources primarily toward performing assets with a workout or disposal strategy for under- and non-performing assets;
- ◆ Ensuring the continued functionality of our buildings and safeguarding the health and life-safety of their occupants;
- ◆ Providing quality workspace in support of the mission-related goals of tenant Federal agencies;
- ◆ Achieving the energy efficiency and environmental goals of the Energy Policy Act of 2005; and
- ◆ Fulfilling our responsibilities under the National Historic Preservation Act to protect and preserve our historically significant public buildings.

#### REPAIR AND ALTERATIONS

GSA is the steward and custodian of 1,532 Federal buildings, which have a replacement value of about \$41.7 billion. We are requesting a Repair and Alterations Program of \$804 million to maintain and improve those properties that are in GSA's inventory for which there is a continuing Federal need and which are capable of being economically self-sufficient.

The highlights of GSA's fiscal year 2008 Repair and Alterations Program include:

- ◆ \$350 million for the Basic Program;
- ◆ \$76 million for the Limited Scope Program;

- ◆ \$356 million for Major Modernization;
- ◆ \$7 million for the Design Program; and
- ◆ \$15 million for the Energy Program;

In dealing with the finite taxpayer resources, I should note that we evaluate and rank our repair and alterations proposals based on the following criteria:

- ◆ Economic justification in terms of financial return and present value cost;
- ◆ Project timing and execution risk;
- ◆ Physical urgency based on building conditions and needs; and,
- ◆ Customer urgency based on mission requirements and overall satisfaction levels.

The projects before you today have passed these criteria and reflect sound investment in the owned portfolio.

### Energy Program

As noted earlier, we are requesting \$15 million for the implementation of energy retrofits in government-owned buildings. These projects represent good savings-to-investment ratios with reasonable payback periods of six years, on average. Projects include facility HVAC systems, lighting and controls, building automation systems, increased efficiency for motors and variable frequency drives, distributed generation, as well as other energy saving technologies. Based on previous experience, we estimate energy savings at 70 billion BTUs and \$1.125 million annually.

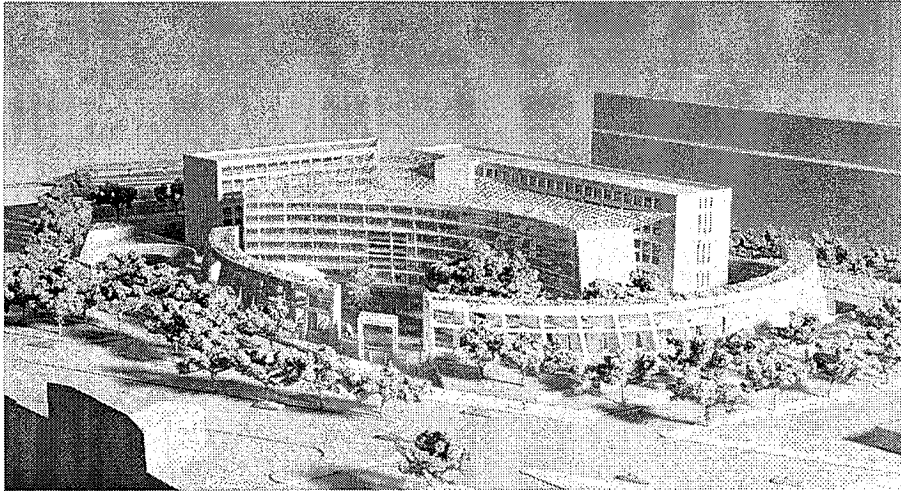
GSA also continues to explore opportunities for solar and other renewable energy. In 2006, 4.5% of our electricity was generated from renewable power or bought through renewable energy certificates, compared with the national average of 2.3%.

Combined heat and power (CHP) systems can also be a source of both energy security and savings. The Food and Drug Administration Office in White Oak, Maryland is a great case study. Using an energy savings performance contract (ESPC) to install a 5.8-megawatt facility, we saved more than 37 million kilowatt-hours, \$1.4 million in energy costs, and \$2.1 million in annual operation and maintenance costs (FY 2003 data).

We have achieved tremendous reductions in energy consumption and costs largely due to the investments funded by Congress coupled with the concerted efforts of our property managers working with our client agencies. In fact, between 1985 and 2005, GSA achieved a 30% reduction in energy consumption while our utility costs are consistently lower than those in the private sector. However, as we accomplish projects with quick payback and simple designs, the challenge of achieving this level of energy reduction will become increasingly more difficult and more costly.

#### NEW CONSTRUCTION

We are requesting a Construction and Acquisition of Facilities Program of \$615 million. Our request includes funding for site acquisition, design, infrastructure, construction, and the management and inspection costs of these Federal facilities. PBS traditionally pursues a construction and ownership solution for special purpose and unique facilities (such as land ports of entry and courthouses), which are not readily available in the real estate market. In addition, we recommend new construction when it is economically advantageous and where there is a long-term need in a given locality.



For example, we found new construction to be in the best long-term interest of the government to house the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). This new GSA Federal Building (which is displayed here) sits at the intersection of New York and Florida Avenues, NE, in Washington, DC, and will serve as the ATF headquarters. It is a state-of-the-art facility encompassing approximately 422,000 gross square feet.

The building contains new and innovative construction elements, including a raised access floor plenum throughout to enclose all utilities and provide HVAC distribution, and a continuous "foil" atrium skylight. The building is also designed within the guidelines of the LEED™ (Leadership in Energy and Environmental Design) Green Building Rating System and is being constructed to achieve at least a certified level.

GSA is also developing the St. Elizabeths West Campus site as the new headquarters for the U.S. Department of Homeland Security (DHS). St. Elizabeths is a 176-acre site located in Ward 8 of Southeast Washington, DC. It is the only federally-owned site within the District of Columbia that is large enough to accommodate the housing needs that DHS has identified for its headquarters facility to co-locate up to 14,000 employees. Doing so will enable

DHS to house in one location all components of its organization that need to be able to assemble together quickly to respond to natural and man-made disasters.

Funds being requested for FY2008 will enable GSA to start construction of the US Coast Guard's new headquarters at St. Elizabeths as well as begin design of the project's second phase. The Coast Guard will be the vanguard of DHS to occupy the site; the Department's headquarters should be in the next phase of development, with additional departmental components to follow in the third phase.

The highlights of GSA's fiscal year 2008 Program include:

- ◆ \$319 million for the Coast Guard Consolidation and Development of St. Elizabeths Campus in Washington, DC;
- ◆ \$58 million for the Food and Drug Administration Consolidation at White Oak, MD;
- ◆ \$21 million for infrastructure activities at St Elizabeths West Campus;
- ◆ \$7 million for an additional ingress/egress point to the St. Elizabeths West Campus;
- ◆ \$155 million for site acquisition, design, and construction of seven land ports of entry; and,
- ◆ \$9 million for the Non-prospectus Construction Program.

#### LEASING PROGRAM

To meet the space requirements of our clients, GSA has entered into more than 8,500 private sector leases in 7,100 locations nationwide. At 172 million square feet, leased space comprises half of our total portfolio square footage. We are pleased the vacant space within our leased inventory has been at or below 1.5 percent for the last four years; well below the national industry average of 11.6 percent. We strive to keep leasing costs at or below market levels and have developed comprehensive strategies to do so, including the standard use of



industry benchmarks and market surveys to comparison shop for the best value for our customers. This year we have submitted 13 lease prospectuses and 1 alteration in leased space prospectus for your consideration. Many of the leases in our submission would be candidates for Government-owned facilities. Because of the lack of available resources to fund these requirements in GSA's Construction program, we must request leasing authority for long-term, specialized customer requirements.

### CONCLUSION

GSA continues to collaborate with our client agencies to identify approaches to address customer financial constraints while preserving the necessary capital for the FBF. We are identifying opportunities to consolidate requirements, reduce underutilized space, and minimize tenant improvement costs in expiring space assignments. Through these efforts, we are working with our customers to better manage their costs while meeting their requirements.

As we strive to collaborate with our customers to reduce costs, GSA faces challenges to fund the requirements of our aging inventory and meet the growing needs and special requirements of our customers. All Federal landholding agencies are struggling to fund reinvestment needs as documented in the April 2007 GAO Federal Real Property report.

GSA continues to address our asset liabilities through a portfolio management strategy focused on concentrating reinvestment in core assets and disposal of underutilized assets. Using new authority granted by Congress in the FY2005 appropriations bill, GSA retained proceeds from the sale and outlease of assets, returning over \$100 million to the Federal Buildings Fund. We are currently exploring the use of additional authorities to outlease assets with lease back of improved space as an alternative to funding needed reinvestment.

Madam Chair, Ranking Member Graves, this concludes my prepared statement. I will be pleased to answer any questions that you or any other Members of the Subcommittee may have about our proposed fiscal year 2008 Capital Investment and Leasing Program, or any other aspects of the Public Buildings Service.